FAS Employee's Guide

Fax-Back #340

Prepared by: Benefits and Entitlements Team, March 10, 1998
Updated January 8, 2003

Additional Information: (703) 696-6301 or DSN 426-6301

About Your Federal Employment …

A Guide for Employees Who are *Reemployed* Annuitants

Defense Civilian Personnel Management Service
Field Advisory Services Division
1400 Key Boulevard, Suite B-200
Arlington, VA 22209-5144

ABOUT YOUR FEDERAL EMPLOYMENT

Welcome back to the Federal workforce! Once you retire from the Federal Government and subsequently become reemployed by the Federal Government, you are in a different category as an employee. If your annuity continues during reemployment you are considered to be a reemployed annuitant. Each reemployed annuitant has different service histories, different benefit elections, and opportunities. It is vital that you understand all of your entitlements. This guide is dedicated to providing you with easy to understand information about your retirement and benefits as a reemployed annuitant. First, let's talk about your retirement.

About Your Retirement …

Under the **Civil Service Retirement System (CSRS),** if you retired on an optional (meeting age and service with no reduction), or a voluntary early retirement (VERA), your annuity will continue during reemployment. Also, if you retired on a discontinued service retirement (DSR) and are reemployed on a temporary or term appointment, your annuity will continue. If your annuity continues, your salary will be offset by the amount of your annuity.

In some cases, depending on the type of retirement, your reemployment will cause your annuity to stop and you are no longer considered an annuitant. Your annuity would stop if:

- You retired on a discontinued service retirement and you were rehired on a permanent appointment.
- You retired on a disability retirement and the Office of Personnel Management (OPM) finds that you are recovered or restored to earning capacity before reemployment.
- You retired on a disability retirement and are reemployed, and later OPM finds you recovered or restored, or you request to be found recovered or restored. In this case, your annuity will continue until OPM makes the finding. At that time, your annuity will stop and your pay is no longer offset.
- You retired on a disability retirement awarded because you were medically disqualified for continuing membership in the National Guard. (National Guard Technician)

When your annuity stops you are not considered a reemployed annuitant. You are then subject to the same rules as any other employee – that is for the purposes of retirement coverage, health and life insurance, the Thrift Savings Plan and retirement eligibility. Upon separation, your CSRS annuity may be reinstated if you have not earned a new eligibility for either an immediate or deferred CSRS annuity based on this new separation.

Under the **Federal Employees Retirement System (FERS),** with few exceptions, once retired and reemployed by the Federal government, your annuity will continue and your salary will be offset by the amount of your annuity.

If the following circumstances apply to you, your annuity will terminate.

- You retired on a disability retirement and OPM finds that you are recovered or restored to earning capacity before reemployment.
- You retired on a disability retirement awarded because you were medically disqualified for continuing membership in the National Guard. (National Guard Technician)

About the Offset of Salary …

If your annuity continues, your salary will be offset by the amount of your annuity. The formula for computing the annuity offset for each pay period is as follows:

Gross Monthly Annuity x 12 = **Hourly Rate of Annuity**
2087 hours (# of hours in work year)

Hourly Rate of Annuity x Hours of Basic Pay Per Pay Period = Amount of offset for the pay period

*Gross monthly annuity is the amount of your basic annuity after age deduction, unpaid deposit deduction, and survivor deduction.

If you work part-time, the amount of the offset is pro-rated by the number of hours worked. For example: if you worked 20 hours a week, and your gross monthly annuity is $850; using the formula, your hourly rate is $4.89. Since you work 40 hours per pay period, your salary offset would be $195.60 ($4.89 x 40).

As a reemployed annuitant, your servicing personnel office must immediately notify OPM of your employment. You must notify your personnel office when there is an adjustment in your annuity, normally every January when the cost of living adjustments are posted.

Based on the information provided above, you should be able to determine if your annuity will continue or terminate during reemployment. If your annuity continues during reemployment the following information will be very useful in helping you understand your benefits and entitlements.

About Your Appointment …

Basically there are only two categories of appointments, temporary and permanent. There are many types of appointments within each of the categories, such as excepted, indefinite, term, career, career conditional, etc., that have been established to meet the needs of the agency. For our purposes, we will look at the categories.

- **Temporary Appointments.** On your SF 50, in block 5B, if it states Temporary Appt (NTE date), it means that you are in an appointment not to exceed (NTE) one year. Because of this type of appointment, your annuity will continue and all of your benefits will remain with OPM—regardless of the type of retirement. However, regardless of the appointment, if you retired under CSRS, you may elect to contribute to the retirement system (cannot elect FERS since it is a temporary appointment). If you do not elect to contribute to the retirement system, check block 30 of your SF 50, and it should show a "4" which means no retirement coverage and as a CSRS annuitant, you are exempt from Social Security. If you retired as a CSRS Offset employee, you will pay Social Security, and your retirement code would be a "2" reflecting that you will pay the Social Security wage tax of 6.20%. If you are employed under a "term" appointment, and you have a break, you may elect FERS; otherwise, the same rules apply as above.

If you retired under FERS, you will continue to contribute to FERS and Social Security, regardless of the appointment (unless intermittent). Your SF 50 will reflect "K" to show FERS coverage. If the appointment is a term, your benefits must be reviewed as stated in the health and life insurance section.

- **Permanent Appointments.** This means there is no specified time limitation on your appointment. If you retired under CSRS and had a break (over 3 days), you have the opportunity to elect FERS. If you do not elect FERS, you will not pay retirement unless you **elect** to contribute to the retirement system. Otherwise, you are exempt from paying retirement and Social Security (unless CSRS Offset, and you would pay Social Security). Employees who elect retirement coverage will pay into the retirement fund. Since you are on an appointment that confers benefits, there are decisions that you must make within the first few weeks of employment. If you decide to start retirement contributions at a later date, the contributions can only be made on a prospective basis. You will have an opportunity to make a deposit for the period where you were not contributing. Since this deposit will include interest payable by law it is a good idea for you to consider how long you plan to work and consider starting your contributions early. If you separate and are not eligible for an additional retirement benefit based on the additional service, you can request a refund of your contributions.

About the Federal Employees Health Benefits (FEHB) Program …

Your FEHB enrollment will be transferred in to your agency in order to take advantage of the program known as FEHB Premium Conversion (PC). Through this program your FEHB premiums will be withheld from your salary ***before*** your salary is taxed. This results in an increase in your take-home pay. Participation in FEHB-PC limits your ability to cancel your FEHB coverage and make a change from Self and Family to Self Only. Under FEHB-PC you can only make these changes during an Open Season or due to a specific life event. If you wish to waive participation in FEHB-PC, you must do so within 60 calendar days from the date you became eligible for FEHB-PC or during an Open Season.

About the Federal Employees Group Life Insurance (FEGLI) Program …

If you have a temporary appointment, your life insurance will be administered by OPM and FEGLI premiums will be withheld from your annuity.

If you have a permanent appointment:

- Basic, Option A, and Option C are suspended as an annuitant. You are automatically enrolled in Basic and you have 31 days to make additional elections. If you are reemployed within 180 days of separating from your previous position, the existing waiver or declination stands and you may only elect what you have as an annuitant. However, you **MUST** understand that if you do not elect the same or greater coverage that you have as an annuitant, you automatically waive the coverage you have as an annuitant. **You will not be eligible to get the coverage back once you separate.**

- Option B is handled differently from the other options. You can choose whether to keep Option B as an annuitant or have it as an employee. If you wish to keep it as an annuitant, you don't have to take any action. If you want Option B as an employee, you have 31 days from the date of reemployment to elect it. If you **did not have Option B at retirement**, you may elect this coverage as a reemployed annuitant. If you have fewer than 5 multiples of Option B or Option C as an annuitant and elect to have it as an employee, you can increase the number of multiples, unless your break in service was less than 180 days.

If you die during the period of reemployment, your survivor will receive the higher of your employee elected coverage or your coverage as an annuitant. If you do not elect Basic, Option A, or Option C, you have waived your life insurance as an employee and as an annuitant. This means when you die, your beneficiary will not receive the monies from your life insurance.

Once you separate from the reemployed annuitant position, your personnel office will review your elections at the time you were appointed as a reemployed annuitant. You may keep the insurance you acquired during your reemployment if you had the insurance (or the number of multiples for Option B and Option C) for at least 5 years immediately preceding your separation from the period of reemployment.

About the Thrift Savings Plan (TSP) …

As a reemployed annuitant, if you were eligible to participate in TSP before your retirement, you are immediately eligible upon reemployment. You have 60 days to enroll. If you were reemployed within 30 days of your separation, you will continue to contribute at the rate you were when you separated. If you elect FERS when you are reemployed, you will have 30 days to make a new election for TSP. Annuitants reemployed on an intermittent work schedule are not eligible to participate.

To participate in TSP, you must submit a TSP-1, Election Form, to your servicing personnel office to elect how much you want to contribute. If you are a CSRS or CSRS Offset employee/reemployed annuitant, you may elect up to 8% of your basic pay or a whole dollar amount up to the 8%. If you are a FERS employee/reemployed annuitant, you may invest up to 13% of you basic pay, or a whole dollar amount up to the 13%. Your yearly TSP contribution amount cannot be greater than the IRS elective deferral limit for that given year. The maximum contribution amounts will increase to 9% (CSRS and CSRS Offset) and 14% (FERS) in January 2004, 10% (CSRS and CSRS Offset) and 15% (FERS) in January 2005. Thereafter, the maximum contribution amount will be the IRS elective deferral limit for both CSRS and FERS.

You must also complete a TSP-50, Investment Allocation, to designate how you want your contributions distributed among the various funds. You send the TSP-50, directly to the TSP Service Office. The address is provided on the form. Currently, there are five funds to select from: the G Fund (most secure, government securities); C Fund (high risk, Standard & Poor's (S & P) stock fund); F Fund (high risk, bond fund); S Fund (high risk, Wilshire 4500 stock fund); and the I Fund (high risk, Europe, Australasia, Far East (EAFE) stock fund). You may elect to place you monies in any of the funds. The elected percentage must total 100%. Your contribution amount is based on your basic pay before the salary offset.

If you elect FERS, the Government will establish an account for you at the same time the FERS election becomes effective. The Government contributes 1% to your account, plus will match your contributions up to 4% (dollar for dollar for the first 3%, ½% for the next 2%) for a total of 5%.

As an annuitant, if you had begun withdrawal of funds from the TSP, or had given your intent to withdraw to TSP, when you are reemployed, the withdrawal will continue. As long as you are working, there is no requirement to start withdrawal of funds by the IRS deadline, which is the year following 70½ years of age.

About Your Leave …

If you retired under CSRS, your sick leave was used to determine your length of service for annuity computation purposes; therefore, it cannot be reaccredited to your account. If you retired under FERS and you return on or after December 2, 1994, unless the sick leave was forfeited upon reemployment in the Federal government before December 2, 1994, your sick leave balance will be reaccredited to you without regard of the date of separation. If you had a break, your annual leave was paid out in a lump sum. If you return to work before the leave period is expired, you will be required to refund the unexpired portion and that amount will be reaccredited to your annual leave account.

Your Service Computation Date (SCD) for leave accrual purposes is reflected in Block 31 on your SF-50, Notification of Personnel Action. This date is constructed to include all of your prior creditable service. Your length of service determines which leave accrual category you are in. As a reemployed annuitant, you will accrue leave at the same rate as other employees.

About Future Benefits …

Reemployment may increase your retirement and death benefits. If you work on a full-time, continuous basis for at least one year, (or part-time equivalent) you may be entitled to a supplemental annuity. A supplemental means that an annuity will be added to your present annuity. If you work for at least 5 years (or part-time equivalent) you may elect a redetermined annuity. A redetermined annuity is one that is recalculated and takes the place of your current annuity. Intermittent service cannot be used in establishing eligibility for a supplemental or redetermined annuity; however, it can be used in the computation of a redetermined annuity, if applicable. A new retirement application must be submitted at the time of your separation if you qualify for a supplemental or redetermined annuity computation. Your separation action will be either a resignation, or termination (if your appointment ends).

About Resources …

All withholdings from your wages are shown on your leave and earnings statement. You should continually review deductions, leave balances, tax issues, etc. If you believe there is an error in the amount of withholdings, it is your responsibility to contact either your personnel office or your payroll representative, as appropriate. There are many resources to learn more about your Federal reemployment. Your servicing personnel office will have pamphlets on the various programs for your use. In addition, the following web sites provide pamphlets and other information.

- www.tsp.gov
- www.opm.gov
- www.ssa.gov
- www.irs.gov